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Before the FEDERAL COMMUNICATIONS COMMISSION Washington, D.C. 20554



MAY - 6 2002

In the Matter of	PROBERAL COMMUNICATIONS COMMISSION OFFICE OF THE SECRETARY
Number Resource Optimization)	CC Docket No. 99-200
Implementation of the Local Competition) Provisions of the Telecommunications)	CC Docket No. 96-98
Act of 1996	CC Docket No. 95-116
Telephone Number Portability)	

COMMENTS OF IOWA TELECOMMUNICATIONS SERVICES, INC.

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SUMMARY

The Commission's Third Further Notice of Proposed Rulemaking in CC Docket 99-200 and Second Further Rulemaking in CC Docket 95-116, which was released March 14, 2002 ("Third NPRM") requests comments on three issues. First, it proposes to require carriers with exchanges located within the largest 100 Metropolitan Statistical Areas ("MSAs") to implement local number portability ("LNP") whether or not they receive a portability request from another carrier. Second, it proposes to require all carriers located in the 100 largest MSAs to participate in number pooling, regardless of whether they are capable of providing LNP. Third, it requests comment on whether all MSAs included in "combined Metropolitan Statistical Areas" ("CMSAs") on the Census Bureau's list of the largest 100 MSAs should be included in these LNP and pooling mandates.

For the practical and policy reasons discussed below, the answer to all three of these questions is a resounding "no." No purpose is served by requiring a carrier to implement either LNP or number pooling if these capabilities are going to sit idle and unused, since they are not needed to aid local competition or to address a numbering shortage. Blanket requirements that all carriers in the top 100 MSAs must deploy LNP or number portability would be both pointless and wasteful as applied to carriers that do not face any competitors, which have not received a portability request, and are not subject to number resource shortages. For the same reason, it will serve no purpose to require carriers to deploy LNP or number pooling simply because they operate in a geographic area that is a CSMA, unless the carriers have actually received a request for LNP or face a numbering shortage.

The <u>Third NPRM</u> fails to articulate an adequate justification for any of these three proposals, fails to perform even a rudimentary cost-benefit analysis, and fails to justify these substantial departures from the Commission's past LNP and number portability requirements. As Iowa Telecom demonstrates by its own example, these mandates would be extremely expensive for rural and two percent carriers to fulfill, and will come at a cost to consumers in terms of higher rates and deferred upgrades.

If the Commission should still mandate the deployment of LNP or number pooling within the largest 100 MSAs, the Commission must exempt rural and "two percent" carriers (i.e., those that serve less than two percent of the nation's access lines, as defined in Section 251(f)(2) of the 1996 Act). The more limited exemption from LNP that is proposed in the <u>Third NPRM</u> is too restrictive. As an alternative to granting such a general exemption, Iowa Telecom recommends that the Commission exempt those rural and two percent carriers that face neither competition nor number shortages.

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COMMENTS OF IOWA TELECOMMUNICATIONS SERVICES, INC.

lowa Telecommunications Services, Inc. ("Iowa Telecom") respectfully submits its comments concerning the Commission's Third Further Notice of Proposed

Rulemaking in CC Docket 99-200 and Second Further Rulemaking in CC Docket 95
116, which was released March 14, 2002 ("Third NPRM"). The Third NPRM proposes to require all carriers with exchanges located within the largest 100 Metropolitan

Statistical Areas ("MSAs") to implement local number portability ("LNP") whether or not they have received a portability request from another carrier. The Third NPRM then proposes that the Commission require all carriers located in the 100 largest MSAs to participate in number pooling, regardless of whether they are capable of providing LNP.

Lastly, the Third NPRM requests comment on whether all MSAs included in "combined Metropolitan Statistical Areas ("CMSAs") on the Census Bureau's list of the largest 100 MSAs should be included in these LNP and pooling mandates. For the reasons shown in these Comments, lowa Telecom strongly opposes all three of these proposals.

I. The Commission's Current Policies Only Require Carriers to Deploy LNP and Number Pooling Where They Are Needed

The Commission currently requires carriers to deploy LNP in response to a specific and *bona fide* portability request from a competing carrier. In turn, carriers are required to implement number pooling only if they are LNP-capable, and in response to a specific event such as a number resource shortage. The proposals in the <u>Third NPRM</u> would discard this need-based, practical approach. Instead, it would require the deployment of LNP or number pooling by all carriers operating in the 100 largest MSAs, regardless of whether they face local competition or a numbering shortage. As shown below, Iowa Telecom believes that such mandates would fundamentally change the Commission's existing policies on LNP and number pooling deployment, that these changes are not justified and that they would be against the public interest.

A. <u>Current LNP Requirements</u>

The Commission adopted its LNP requirements as measures designed to promote local competition, in accordance with Section 251(b) of the Telecommunications Act of 1996 ("1996 Act"). Although the Commission initially ruled that carriers were to implement number portability throughout the 100 largest MSAs on a uniform, rapid timetable, it soon reconsidered this ruling and permitted carriers to upgrade their networks on a switch-by-switch basis, in response to specific and *bona fide* portability requests by competitors. This gradual approach was intended to conserve carrier resources and to target number portability deployment in the markets where it would actually be used. As the Commission justified this decision:

See In the Matter of Telephone Number Portability, First Report and Order and Further Notice of Proposed Rulemaking, 11 FCC Rcd 8352, 8353-55 (1996)("First Portability Order").

We agree with the majority of the parties commenting on this issue that it is reasonable to focus initial efforts in implementing number portability in areas where competing carriers plan to enter. This approach will permit [local exchange carriers ("LECs")] to target their resources where number portability is needed and avoid expenditures in areas within an MSA in which competitors are not currently interested. We further agree that such a procedure will foster efficient deployment, network planning, and testing, reduce costs, and lessen demands on software vendors. Moreover, we believe that limiting deployment to switches in which a competitor expresses interest in number portability will address the concerns of smaller and rural LECs with end offices within the 100 largest MSAs that they may have to upgrade their networks at significant expense even if no competitors desire portability. Limiting deployment to switches in which a competitor expresses interest in deployment will be consistent to a large extent with procedures suggested by Ameritech and BellSouth and already considered by several state commissions, as well as our past practice in implementing conversion to equal access for independent telephone companies.²

As a result of this ruling by the Commission, carriers have only been required to deploy number portability within the 100 largest MSAs "in switches for which another carrier has made a specific request for the provision of portability." In practical terms, this has permitted carriers to conserve their resources and to target their network upgrades to areas in which they either face LNP requests from competitors or number resource shortages.

B. Current Number Pooling Requirements

In turn, number pooling has until now been employed by the Commission as a number resource conservation measure. Specifically, number pooling has been used as a targeted method of prolonging the life of area codes ("NPAs") that are nearing depletion due to highly competitive markets and high levels of demand from consumers. Number

See In the Matter of Telephone Number Portability, <u>First Memorandum Opinion and Order on Reconsideration</u>, 12 FCC Red 7236, 7272-72 (1997).

^{3 &}lt;u>Id.</u> at 7273.

pooling has served the public interest by saving consumers from extra cost and inconvenience of adding, splitting and overlaying NPAs as a solution to shortages, by enabling new market entrants to obtain sufficient number resources, and in the long term prolonging the life of the North American Numbering Plan ("NANP"). For example, as the Commission explained in the initial Report and Order concerning number pooling and other conservation measures:

Section 251(s) of the Communications Act of 1934 (Communications Act), as amended, grants this Commission plenary jurisdiction over the [NANP] and related telephone numbering issues in the United States. In fulfilling this statutory mandate, we have identified two primary goals. One is to ensure that the limited numbering resources of the NANP are used efficiently, to protect customers from the expense and inconvenience that result from the implementation of new area codes, some of which can be avoided if numbering resources are used more efficiently, and to forestall the enormous expense that will be incurred in expanding the NANP. The other goal is to ensure that all carriers have the numbering they need compete resources to in the rapidly growing telecommunications marketplace.4

The Commission has long required only those carriers that are capable of providing LNP to deploy number pooling, due to the similarities in the underlying location routing number ("LRN") architecture that must be implemented.⁵

As a result, it should be clear that the LNP and number portability proposals specified in the <u>Third NPRM</u> represent a substantial departure from these prior Commission rulings and policies.

See In the Matter of Number Resource Optimization, Report and Order and Further Notice of Proposed Rulemaking, 15 FCC Rcd 7574, 7577 (2000)("First Report and Order").

See, e.g., Cellular Telecommunications Industry Association's Petition for Forbearance From Commercial Mobile Radio Services Number Portability Obligation; Telephone Number Portability, Memorandum Opinion and Order, 14 FCC Rcd 3092, 3096-97 (1999). As parties indicated in this proceeding, LNP capability has been widely viewed both by regulators and by the telecommunications industry as a precondition of implementing number pooling. <u>Id.</u> at 3113.

II. The Commission Has Not Offered a Satisfactory Public Interest Justification for Its Proposals

The Commission has not offered an adequate public interest justification for the changes that it would make to its current LNP and number pooling deployment policies. The Third NPRM would fundamentally change the Commission's approaches to LNP and number pooling. Worse, it would do so on the basis of the poorly considered and conclusory statements that mandating LNP and number pooling in the largest 100 MSAs will "benefit competition" or possible "alleviate number shortages." Without more, vague statements of this kind are not an adequate or reasonable basis for making fundamental changes in the Commission's policies. They also make clear that the Commission has not adequately considered the significant financial burden that prematurely deploying LNP and pooling in these MSAs and CMSAs would place on rural and "two percent" carriers.

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For these reasons, the Commission should reject the <u>Third NPRM</u>'s proposals that all carriers operating in the largest 100 MSAs be required to deploy LNP and number pooling, as well as its proposal that such requirements might apply to additional geographic areas such as a CMSA.

A. The Commission Has Not Justified Its LNP Proposal

Paragraph 7 of the <u>Third NPRM</u> restates the Commission's prior conclusions that LNP "contributes to the development of competition" and can also serve to "alleviate number shortages." The <u>Third NPRM</u> then departs from precedent by proposing that due to these "benefits," LNP should therefore be deployed by all carriers in the top 100

A "two percent" carrier is defined by Section 251(f)(2) of the 1996 Act as a local exchange carrier that serves less than two percent of the nation's access lines, and therefore qualifies for certain exemptions from Section 251's general requirements. See 47 U.S.C. § 251(f)(2).

MSAs, regardless of whether such carriers have received a portability request from a competitor. When examined, however, the justifications for this new policy disintegrate.

What possible "benefit" or public interest can LNP capabilities serve if they sit unused? If a carrier does not face any competitors and has not yet received any portability requests, requiring such a carrier to deploy LNP will not in itself serve any competitive purpose or public good. Moreover, competition does not result simply because an incumbent carrier offers number portability. Quite to the contrary, under Section 251(b) of the 1996 Act, number portability is supposed to facilitate competition once it is needed, and is supposed to be deployed by a LEC once it is requested by a competing carrier.

It is also important to stress that number portability capabilities are not cost free. Implementing LRN-based capabilities on existing local networks is typically very expensive, due to the high cost of software and hardware replacement. Since no cost recovery mechanism exists for unshared portability and number pooling implementation costs, these expenses must either must be absorbed or passed on to customers in the form of higher rates or access charges. As a result, a requirement that LNP be deployed in the absence of local competition may actually harm the public interest, by wasting money and diverting resources from other priorities without benefiting consumers.

The <u>Third NPRM</u>'s assertion that mandating LNP deployment will benefit number conservation fails for similar reasons. In local service areas where there is no competition, there is simply no need for LNP as a means for "code sharing" or for aiding in the "transfer [of] unused numbers among carriers that need these resources," as the <u>Third NPRM</u> mistakenly generalizes. Moreover, such measures would not benefit

portions of an MSA that are located outside the local exchange service area where LNP is implemented. The technical limitations of LNP currently prevent the pooling or porting of number resources to geographic areas that lie outside the boundaries of the local rate centers to which the numbers are assigned. As a result, number resources cannot be swapped between competitive and noncompetitive areas within a MSA, and a number shortage in one rate center cannot be solved by borrowing resources from an adjoining area. Consequently, a blanket requirement that all carriers in a MSA participate in LNP will <u>not</u> in itself promote competition through the efficient use of number resources, since shortages must continue to be addressed on a rate center by rate center basis.

B. The Commission Has Not Justified Its Number Pooling Proposal

Paragraph 9 of the <u>Third NPRM</u> concludes that "numbering optimization measures . . . provide the greatest benefit when participation is maximized," and that number pooling is "a valuable mechanism to remedy the inefficient allocation and use of numbering resources." On this slender, two-sentence policy analysis, the <u>Third NPRM</u> concludes number pooling should therefore be made mandatory throughout the largest 100 MSAs, regardless of whether carriers are LNP-capable. In a break with previous Commission rulings, the <u>Third NPRM</u> further suggests that it is "not necessary" for carriers to deploy LNP before employing number pooling, and proposes that carriers in the largest 100 MSAs be required to deploy number pooling "without regard to whether they are required to provide number portability." Like the LNP proposal, however, the public interest justifications for this mandate similarly fail to stand up to scrutiny.

As support for its number pooling proposal, the <u>Third NPRM</u> states that while it was once widely accepted that carriers without LNP capability could not participate in

pooling, "carriers have [recently] represented to the Commission that the underlying [LRN] architecture is necessary for pooling, but full LNP capability is not necessary for pooling." This claim is based on a mischaracterization of the Commission's previous number pooling decisions, and incorrectly implies that deploying number pooling is substantially less difficult and expensive than deploying "full" LNP capability. LNP has deliberately been used as a precondition for number pooling precisely because they both require LRN capabilities. The Commission and the telecommunications industry have long used the assumption that a carrier unable to deploy LNP would be unable to deploy number pooling.

The Third NPRM's number portability proposal shares a common flaw with the LNP proposal: unused and expensive network features do not benefit the public in any way. In circumstances where there is no shortage of number resources in an MSA, and number pooling has not been implemented in the NPA, the public will not realize any "benefit" from increased competition or from the "efficient allocation" of number resources. To the contrary, in such situations carriers and their consumers will absorb the deployment costs without realizing any benefit, possibly for many years. Indeed, by the time that number pooling might actually be needed in such an exchange area, the incumbent carrier may already have upgraded its network, retired its old switches, and be ready to provide LRN-based functionalities such as LNP and number pooling without any mandate.

C. The Commission Has Not Justified Its CSMA Deployment Proposal

Iowa Telecom strongly opposes the <u>Third NPRM</u>'s proposal that would require carriers located in CMSAs to deploy LNP and number pooling capabilities. Iowa Telecom does so for the same reasons that it opposes such blanket requirements inside the boundaries of the largest 100 MSAs: it would be rigid, wasteful and would for many carriers fail to benefit either competition or number conservation.

According to the U.S. Census definition, a CMSA combines several smaller MSAs into a single group. While these smaller MSAs might qualify for ranking in the largest 100 MSAs as a combination, they comprise comparatively small communities that would not otherwise fall within the scope of the Third NPRM's LNP and number portability requirements. It therefore makes no sense to regulate carriers serving CMSA communities as if the carriers were instead serving a major urban area, or to use the U.S. Census' designation as a proxy for the existence of local competition or number resource shortages.

Iowa Telecom opposes any requirement that would require carriers to deploy LNP before they have received a portability request from another carrier, or require them to deploy number pooling capabilities before the carriers are subject to a number resource shortage. This is why Iowa Telecom is particularly disturbed by the Commission's April 24, 2002 Order in Docket 99-200, which mandated that carriers implement number pooling in the Cedar Rapids MSA between June 15, 2003 and September 14, 2003. Cedar Rapids is not one of the largest 100 MSAs. Indeed, the Cedar Rapids MSA ranks only as number 173 on the Census Bureau's list, and is one of the smallest MSAs that is

⁷ See, e.g., Third NPRM at para. 10 and n. 24.

included. Its specification in the Commission's rollout list is therefore troubling, since that Commission action is an unexplained departure from the Commission's prior rulings and contradicts its explicit policy statements. Iowa Telecom requests that the Commission reconsider this arbitrary and unjustified decision and remove Cedar Rapids from the pooling rollout list.

Iowa Telecom is also concerned that if the Commission adopts the proposals in the <u>Third NPRM</u>, the Commission will then extend them beyond the largest 100 MSAs. As shown below, the cost of such mandates would be staggering for two percent and rural carriers such as Iowa Telecom, and the LNP and number pooling capabilities would likely be unused. Such blanket extensions are not justified, and should not occur.

III. The Commission's LNP and Number Pooling Proposals Would Be Extremely Expensive to Implement

The <u>Third NPRM</u> makes only cursory evaluation of the public interest, the does not make any attempt to quantify the economic impact of its LNP or number portability proposals. This failure to perform even a perfunctory cost-benefit analysis is clearly a mistake that the Commission must correct. As Iowa Telecom demonstrates below, deploying LNP and number pooling would be extremely expensive in exchanges where carriers must replace or substantially refit existing switching equipment in order to provide LRN capabilities. In the case of two percent and rural carriers, high deployment costs are directly relevant to whether the LNP and number pooling proposals will ultimately harm or benefit consumers.

See In the Matter of Number Resource Optimization, Order, DA 02-948 (released Apr. 24, 2002). In fact, the Order explicitly recites the Commission's prior determination that number pooling should initially occur in the largest 100 MSAs, due to the prevalence of LRN architecture in those locations, and then proceeds to violate this standard by including Cedar Rapids in its schedule without explanation.

lowa Telecom believes that its own example may serve as a useful and concrete starting point in this analysis. It essentially operates as a collection of small, rural incumbent local exchange carriers ("ILECs"), and currently serves 275,000 access lines. In turn, these access lines are located in communities scattered across 296 different exchanges in three separate study areas. None of Iowa Telecom's access lines are located in communities of 50,000 or more persons. In fact, Iowa Telecom's service area is so widespread and thinly populated that it averages only 14 access lines per square mile of territory. In Iowa Telecom's service area, 152 of these exchanges have 500 access lines or less, and another 139 of these exchanges have between 500 and 1,000 access lines. Overall, the largest community Iowa Telecom serves is Newton, Iowa, with a population of only 15,000. Iowa Telecom therefore qualifies as a "rural telephone company" under the Communications Act.⁹

Iowa Telecom currently faces substantial expenses in upgrading its physical plant. When Iowa Telecom purchased its physical plant from GTE Corp. ("GTE") two years ago, it inherited equipment that does not yet support common features such as voice mail, let alone advanced services such as digital subscriber line service. To address this problem, Iowa Telecom has established a "Network Evolution Plan" under which it will upgrade, modernize or replace many of its existing switches across the state of Iowa.

Notwithstanding the fact that most of its service area is rural, Iowa Telecom currently serves 13 exchanges that fall within the boundaries of the Des Moines or Omaha MSAs. As discussed above, and as set forth in the Commission's recent Order

See 47 U.S.C. § 153(37)(defining a "rural telephone company" as one having less than 15% of its access lines in communities of 50,000 or more). ITS also qualifies as a rural telephone company under other alternative definitions provided in the Communications Act. Id.

addressing the rollout schedule for number pooling, it appears that Iowa Telecom will also be required to implement number pooling in 4 additional exchanges located within the Cedar Rapids MSA during the year 2003, even though Cedar Rapids is not one of the largest 100 MSAs.¹⁰

Iowa Telecom has not received a single number portability request in the exchanges that it operates within the bounds of the Des Moines, Omaha and Cedar Rapids MSAs. In addition, none of these exchanges in any of these three MSAs are currently subject to number resource shortages.¹¹

If the Commission applies the LNP and number pooling mandates it has proposed in the Third NPRM to Iowa Telecom, however, the company will need to sharply rearrange its Network Evolution Plan in order to upgrade the switches serving its exchanges in the Des Moines and Omaha MSAs. Due to the age of Iowa Telecom's current switches, adapting this equipment to support LNP and number pooling will be extremely expensive. Adding LNP and number pooling capabilities would require the modification of Iowa Telecom's switches, as well as implementing software upgrades (when such upgrades are available). Further costs would also be incurred when testing the reconfigured switches after making the modifications.

According to Iowa Telecom's estimates, and based on its network configuration of hosts and remotes, the LNP and number pooling upgrades that would be necessary to implement the Third NPRM's mandates would cost the following:

See In the Matter of Numbering Resource Optimization, Order, DA 02-948 (released April 24, 2002).

While area code splits were implemented in Des Moines and Cedar Rapids in the years 2000 and 2001, there are no jeopardy proceedings currently pending regarding these MSAs, and no apparent number shortages within the existing NPAs.

Knoxville, Iowa switch -

Lacona exchange:

Liberty Center exchange:

Martensdale exchange:

Milo exchange:

New Virginia exchange:

\$200,000

Newton, Iowa switch -

Elkhart exchange:

\$200,000

Bouton, Iowa switch -

Madrid exchange:

\$ 90,000

Dexter, Iowa switch -

Dexter exchange:

Linden exchange:

Redfield exchange: Desoto exchange:

\$415,000

Avoca, Iowa switch –

Avoca exchange:

Minden exchange:

\$240,000

In addition, if areas outside the largest 100 MSAs were to be included in mandatory LNP and number pooling, Iowa Telecom's costs would soar. Using the Iowa Telecom exchanges located within the boundaries of the Cedar Rapids MSA as an example, Iowa Telecom estimates that the Commission's mandates would cost the following:

Dewitt, Iowa switch -

Lisbon exchange:

\$235,000

Lone Tree, Iowa switch -

Central City exchange:

Troy Mills exchange:

Walker exchange:

\$365,000

Much of this investment would be lost when Iowa Telecom replaces or upgrades its existing switches and remotes that serve these communities. In a time of tightening resources, mandating the uniform, blanket deployment of LNP and number pooling without regard to need would waste money that Iowa Telecom would otherwise spend on other services, network upgrades, and capitol improvements that would directly benefit the public.

IV. The Commission Must Offer Rural and Two Percent Carriers Meaningful Exemptions if it Requires the Deployment of LNP and Number Pooling in the Largest 100 MSAs

If the Commission were to nonetheless adopt the <u>Third NPRM</u>'s mandatory LNP or number pooling proposals, it should exempt rural and two percent carriers. However, as an alternative to such a general exemption, Iowa Telecom recommends that the Commission, at a minimum, exempt those rural and two percent carriers that face neither competition nor number shortages in their exchanges. Moreover, Iowa Telecom stresses that such exemptions or extensions must apply to both LNP and number pooling, and not simply to LNP.

Iowa Telecom agrees with the Commission that it is reasonably to exempt rural and two percent carriers that serve only an incidental number of customers within a subject MSA. Iowa Telecom believes that the limited exemption proposed in the <u>Third NPRM</u> is too restrictive, however, both in that it would apply to too few carriers and would address only LNP deployment. The limited exemption addressed in the <u>Third</u>

The LNP exemption proposed in the <u>Notice</u> would only apply to "certain small carriers" that have switches within the largest 100 MSAs or in areas adjoining the largest 100 MSAs, but provide service to no or few customers within such MSAs. See Third NPRM at para. 8.

NPRM also places a misplaced emphasis on whether a carrier falls inside or outside the borders of an MSA, or whether a carrier serves "no or few" customers in that MSA, and whether such a carrier would be "not likely" to receive a LNP request from a competitor. Instead of focusing on geography, the Commission should continue to focus on whether the carrier requesting an exemption actually faces competition and has received a *bona* fide request for LNP from a competitor, or faces a numbering shortage that actually requires its participation in number pooling.

As an alternative to the overly restrictive proposal in the <u>Third NPRM</u>, Iowa Telecom suggests granting all rural and two percent carriers a general exemption from both LNP and number pooling deployment inside the largest 100 MSAs. As an alternative to such a general exemption, Iowa Telecom recommends exempting such carriers from LNP or number pooling unless and until they receive a LNP request from a competitor or the NPA is declared to be in jeopardy by the NANPA. Either form of exemption would avoid the adverse consequences of a blanket LNP and/or number pooling requirement, and would save rural and two percent carriers from having to prematurely upgrade or replace their facilities.

V. Conclusion

There are no compelling public interest justifications for deploying LNP or number pooling in exchanges where there has been neither a portability request nor a number shortage. If the changes proposed in the Third NPRM were made to the Commission's current policies, and mandatory LNP and number pooling were required in the largest 100 MSAs regardless of need, these requirements would waste carriers' resources without benefiting competition or aiding number conservation. In the alternative, should the Commission adopt such measures, Iowa Telecom requests that the Commission create an exemption applicable to rural and two percent carriers that have not received a LNP request, and in situations when the NPA is not in jeopardy.

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